

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

TESSERA, INC.,
Plaintiff,
v.
UNITED TEST AND ASSEMBLY CENTER LTD.
and UTAC AMERICA, INC.,
Defendants.

No. C 08-4795 CW
ORDER GRANTING
MOTION TO REMAND

Plaintiff Tessera, Inc. moves to remand this action to state court on the basis that the Court lacks subject matter jurisdiction. Defendants United Test and Assembly Center Ltd. (UTAC) and UTAC America, Inc. oppose the motion, contending that the Court has diversity jurisdiction despite the fact that UTAC America and Tessera are citizens of the same state. The matter was taken under submission on the papers. Having considered all of the papers submitted by the parties, the Court grants the motion.

BACKGROUND

Tessera is a Delaware corporation with its principal place of business in California. It develops semiconductor packaging products. UTAC is a Singapore corporation with its principal place

1 of business in Singapore. It provides test and assembly services
2 for semiconductor devices. UTAC America is a California
3 corporation with its principal place of business in California. It
4 is a wholly owned subsidiary of UTAC. The parties characterize
5 UTAC America's function in different ways. According to the
6 complaint, UTAC America "engages in sales and marketing on behalf
7 of UTAC in North America." Compl. ¶ 7. Defendants have submitted
8 a declaration from a UTAC executive stating that UTAC America
9 "support[s] the sales of UTAC . . . products to customers of UTAC"
10 in the United States, but that UTAC is the actual seller and has
11 final authority over the terms of any sale. Lihan Dec. ¶ 3.
12 Tessera, in turn, has submitted a declaration from a former Tessera
13 employee, Ignacio Osorio, detailing UTAC America's extensive
14 involvement in the marketing and sale of UTAC's products, and
15 describing a high level of coordination between the two companies.
16 According to Mr. Osorio, a number of UTAC's officers are also
17 officers of UTAC America; the two companies share the same CEO and
18 CFO. Osorio Dec. ¶ 10.

19 Tessera and UTAC are parties to a license agreement that
20 permits UTAC to use technology patented by Tessera in exchange for
21 the payment of royalties on "TCC Licensed Products." TCC Licensed
22 Products consist of two types of integrated circuit packages:
23 "face-up packages" and "face-down packages." The former type of
24 package is defined as one that:

25 incorporates at least one IC device having electrical
26 bond pads on a front surface of such IC device, where
27 such bond pad bearing front surface faces away from a
28 package substrate (including polymer substrates not
internally reinforced, such as a polyimide substrate,
and/or including internally reinforced, laminate package
substrates), the package substrate being attached to the

1 IC device and having at least one substrate terminal
2 within the periphery of the IC device and such [sic] at
3 least one substrate terminal being electrically connected
4 to one of the bond pads of the IC device, and the
5 substrate terminals have a pitch of less than or equal to
6 1 mm

7 Id. at 1.

8 The complaint alleges that, while UTAC paid royalties on face-
9 down packages, it made and sold face-up packages without paying
10 royalties. Tessera maintains that UTAC America "has been aware of
11 the provisions of the Agreement from the date it was executed,"
12 received the benefits of the agreement and "demonstrated by its
13 conduct its intent to be bound" by it. Compl. ¶ 8. The Osorio
14 Declaration elaborates on this conduct. Mr. Osorio states that
15 "UTAC and UTAC America often acted in concert, synchronizing their
16 interactions with Tessera. When engineering teams from UTAC met
17 with Tessera, the meetings often took place at UTAC America's
18 facilities and UTAC America employees were often present and
19 participated in the meetings." Osorio Dec. ¶ 9. In addition,

20 UTAC America held itself out as a Tessera licensee,
21 acting in a manner that indicated that it was a licensee
22 and availing itself of the benefits of this status. In
23 my communications with employees of both UTAC America and
24 UTAC, no one ever made any distinction between the two
25 entities in terms of their licensee status. To the
26 contrary, whenever the license was mentioned, both UTAC
27 and UTAC America were discussed in precisely the same
28 way. UTAC America employees often approached Tessera in
a manner that indicated that UTAC America was a licensee
in good standing, seeking special assistance and
technical support, working with Tessera to identify
market opportunities for Tessera technology, and seeking
and obtaining Tessera confidential information. In
addition, UTAC America was the entity that actually sold
and marketed licensed products in the United States.

29 Id. ¶ 11.

30 Tessera filed this action in Alameda County Superior Court
31 asserting claims under state law. For the purposes of this motion,

1 the only relevant claims are those against UTAC America. There are
2 three groups of such claims: 1) Breach of contract and breach of
3 the covenant of good faith and fair dealing; 2) Fraud and aiding
4 and abetting fraud; and 3) Violation of California's Unfair
5 Competition Law (UCL).

6 LEGAL STANDARD

7 A defendant may remove a civil action filed in state court to
8 federal district court so long as the district court could have
9 exercised original jurisdiction over the matter. 28 U.S.C.
10 § 1441(a). If, at any time before final judgment, it appears that
11 the district court lacks subject matter jurisdiction over a case
12 previously removed from state court, the case must be remanded. 28
13 U.S.C. § 1447(c). On a motion to remand, the scope of the removal
14 statute must be strictly construed. Gaus v. Miles, Inc., 980 F.2d
15 564, 566 (9th Cir. 1992). "The 'strong presumption' against
16 removal jurisdiction means that the defendant always has the burden
17 of establishing that removal is proper." Id. Courts should
18 resolve doubts as to removability in favor of remanding the case to
19 state court. Id.

20 District courts have original jurisdiction over all civil
21 actions "where the matter in controversy exceeds the sum or value
22 of \$75,000, exclusive of interest and costs, and is between . . .
23 citizens of different States." 28 U.S.C. § 1332(a). When federal
24 subject matter jurisdiction is predicated on diversity of
25 citizenship, complete diversity must exist between the opposing
26 parties. See Owen Equip. & Erection Co. v. Kroger, 437 U.S. 365,
27 373-74 (1978).

28 A defendant may remove a case lacking complete diversity and

1 seek to persuade the district court that any non-diverse defendant
2 was fraudulently joined. McCabe v. Gen. Foods Corp., 811 F.2d
3 1336, 1339 (9th Cir. 1987). "If the plaintiff fails to state a
4 cause of action against a resident defendant, and the failure is
5 obvious according to the settled rules of the state, the joinder of
6 the resident defendant is fraudulent." Id. The defendant need not
7 show that the joinder of the non-diverse party was made for the
8 purpose of preventing removal. Instead, the defendant must
9 demonstrate that there is no possibility that the plaintiff will be
10 able to establish a cause of action in state court against the
11 alleged sham defendant. See id.; Ritchey v. Upjohn Drug Co., 139
12 F.3d 1313, 1318 (9th Cir. 1998). Although "fraudulent joinder
13 claims may be resolved by 'piercing the pleadings' and considering
14 summary judgment-type evidence such as affidavits and deposition
15 testimony," Morris v. Princess Cruises, Inc., 236 F.3d 1061, 1068
16 (9th Cir. 2001) (quoting Cavallini v. State Farm Mutual Auto Ins.
17 Co., 44 F.3d 256, 263 (5th Cir. 1995)), the court must "resolve all
18 disputed questions of fact and all ambiguities in the controlling
19 state law in favor of the non-removing party," Dodson v. Spiliada
20 Maritime Corp., 951 F.2d 40, 42 (5th Cir. 1992); accord Tanoh v.
21 AMVAC Chem. Corp., 2008 WL 4691004, at *3 (C.D. Cal.); Quiroz v.
22 Valley Forge Ins. Co., 2005 WL 1806366, at *3 (N.D. Cal.); Crone v.
23 Pfizer, Inc., 2004 WL 1946386, at *2 (N.D. Cal.).

DISCUSSION

25 In order to defeat Tessera's motion, Defendants must
26 demonstrate that the complaint obviously fails to state a single
27 claim against UTAC America. They fail to do this; Tessera has
28 stated, at a minimum, a claim against UTAC America under the UCL.

1 The UCL prohibits any "unlawful, unfair or fraudulent business
2 act or practice." Cal. Bus. & Prof. Code § 17200. It incorporates
3 other laws and treats violations of those laws as unlawful business
4 practices independently actionable under state law. Chabner v.
5 United Omaha Life Ins. Co., 225 F.3d 1042, 1048 (9th Cir. 2000).
6 Violation of almost any federal, state, or local law may serve as
7 the basis for a UCL claim. Saunders v. Superior Ct., 27 Cal. App.
8 4th 832, 838-39 (1994). In addition, a business practice may be
9 "unfair or fraudulent in violation of the UCL even if the practice
10 does not violate any law." Olszewski v. Scripps Health, 30 Cal.
11 4th 798, 827 (2003).

12 The complaint alleges that Defendants have violated the UCL
13 by, among other things, damaging competition by promoting the sale
14 of products at an unfairly discounted price through the withholding
15 of royalties owed under the agreement; and inducing Tessera to
16 disclose confidential information by concealing their failure to
17 pay royalties owed under the agreement. Although Defendants assert
18 that no royalties are owed on the relevant products, they
19 implicitly concede that the issue cannot be resolved at this stage
20 of the litigation. Accordingly, their argument that the complaint
21 does not state a UCL claim against UTAC America is based on the
22 premise that "UTAC America indisputably is not responsible for the
23 alleged actions upon which Tessera seeks to base its unfair
24 competition claims." Defs.' Opp. at 21.

25 Tessera does not share Defendants' view of the nature of UTAC
26 America's involvement in the sale of the products at issue. Even
27 accepting Defendants' contention that UTAC America was not a party
28 to the license agreement and thus was not bound by its terms,

1 Tessera alleges that UTAC America served as a virtual extension of
2 UTAC in the United States and was intimately involved in promoting
3 the sale of UTAC's products. It thus benefitted from the alleged
4 scheme to sell at an unfairly discounted price products as to which
5 Tessera maintains royalties were owed, and to induce Tessera to
6 give up its proprietary information. Defendants have not
7 established that UTAC America's involvement in the sale of UTAC's
8 face-up packages obviously does not constitute an unfair business
9 practice in violation of the UCL. As for Defendants' claim that
10 "no one acting for UTAC America in any of the interactions or
11 communications at issue knew of the provisions of the License
12 Agreement or that UTAC Singapore supposedly was obligated to pay
13 royalties on face-up packages and was not doing so," Defs.' Opp. at
14 22, this is a point of contention. Tessera claims that a number of
15 UTAC America officers knew of the agreement, the sales, the royalty
16 obligations and the non-payment of royalties for face-up IC's. See
17 generally Osorio Dec. The competing factual claims cannot be
18 resolved on the present motion.

19 The Court cannot conclude that there is no possibility that
20 Tessera will be able to establish a cause of action under the UCL
21 against UTAC America, particularly considering that any doubts
22 about the matter must be resolved in Tessera's favor, see Gaus, 980
23 F.2d at 566. Accordingly, UTAC America is not a sham defendant and
24 the Court lacks subject matter jurisdiction over this action.

25 Tessera seeks an award of attorneys' fees incurred in
26 connection with Defendants' removal of this action. Although such
27 a fee award is authorized under 28 U.S.C. § 1447(c), the Supreme
28 Court has held, "Absent unusual circumstances, courts may award

1 attorney's fees under § 1447(c) only where the removing party
2 lacked an objectively reasonable basis for seeking removal."
3 Martin v. Franklin Capital Corp., 546 U.S. 132, 141 (2005). The
4 Court finds that no unusual circumstances exist here, and that
5 Defendants did not lack an objectively reasonable basis for seeking
6 removal of this action. Accordingly, Tessera's request for fees is
7 denied.

8 CONCLUSION

9 For the foregoing reasons, Tessera's motion to remand this
10 action to state court (Docket No. 28) is GRANTED.¹ The January 8,
11 2009 hearing is VACATED. The clerk shall close the file. Each
12 party shall bear its own costs.

13 IT IS SO ORDERED.

14
15 Dated: 1/6/09



16 CLAUDIA WILKEN
17 United States District Judge
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26 ¹Tessera's motions for leave to file under seal (Docket Nos.
27 31 and 54) are also GRANTED; the Court finds that good cause exists
28 to warrant filing the relevant information about the confidential
license agreement between Tessera and UTAC outside the public
record.